



Recommendation: BUY

Target price - LKR 76.00

Sector- Consumer Services

AHUN's earnings to bolster buoyantly with the rebounding of Chinese arrivals

YE 31 Mar/(LKR Mn)	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Net Profit	1,583	837	(896)	(7,253)	1,034	(687)	3,129	3,860
YoY Growth (%)		-47.1%	-207.1%	-909.2%	114.3%	-166.5%	555.2%	23.3%
EPS (LKR)	3.4	2.4	(1.9)	(13.9)	1.9	(2.0)	9.3	11.5
DPS (LKR)	1.3	1.0	-	-	-	-	1.4	1.7
BVPS (LKR)	58.8	63.5	61.1	47.4	59.1	65.1	76.0	78.5
Ratios (%)								
Debt to Equity	114%	119%	134%	193%	221%	229%	190%	178%
Dividend payout	36.4%	42.2%	0.0%	0.0%	0.0%	0.0%	15.0%	15.0%
ROE (%)	6.0%	3.9%	-3.0%	-25.6%	3.5%	-2.0%	7.9%	8.9%
Investor Ratios (%)								
PE (x)	17.5	25.3	N/A	N/A	32.4	N/A	6.4	5.2
PBV (x)	1.0	0.9	1.0	1.3	1.0	0.9	1.0	1.0
DY(%)	2.1%	1.7%	0.0%	0.0%	0.0%	0.0%	2.3%	2.9%

Prices as at 31.03.2023

Key Statistics

Market Cap (LKR Bn)	20.1
Market Cap (USD Mn)	60.0
Issued Quantity (Mn)	336.3
Current Trading Range	58.00 -60.00
52 week Low/High	28.60 -66.00
YTD Low/High	48.30/61.50

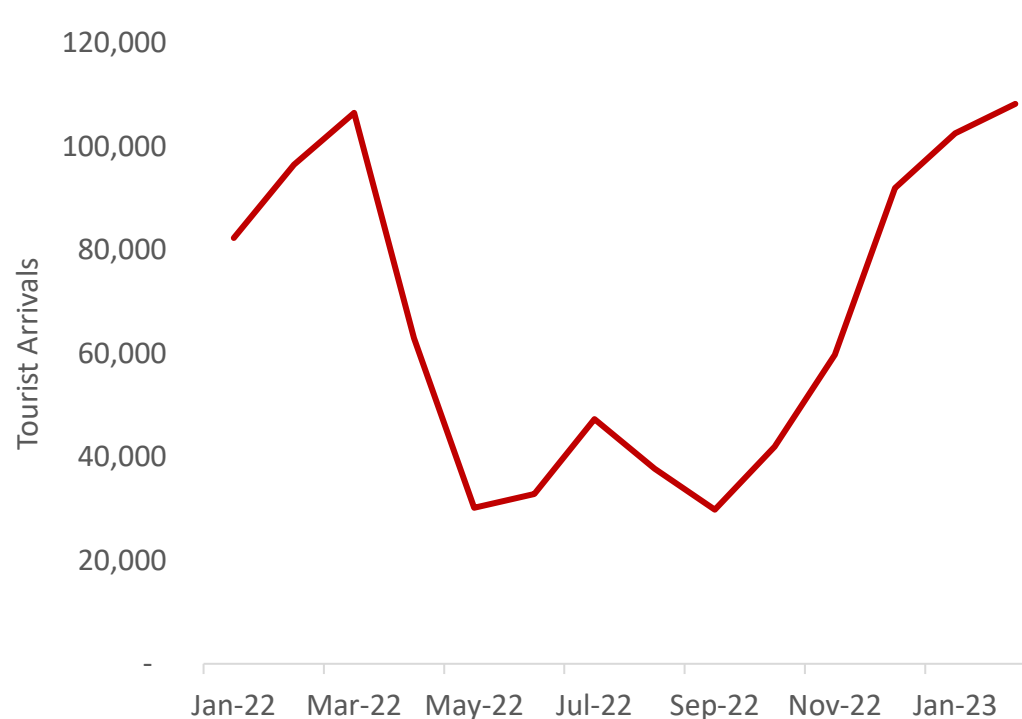
Valuation

Market PE (x)	5.0
Market PBV (x)	0.9
PE (x)	N/A
PBV (x)	1.0
Bloomberg Ticker	AHUN SL
GICS Industry Group	Consumer Services

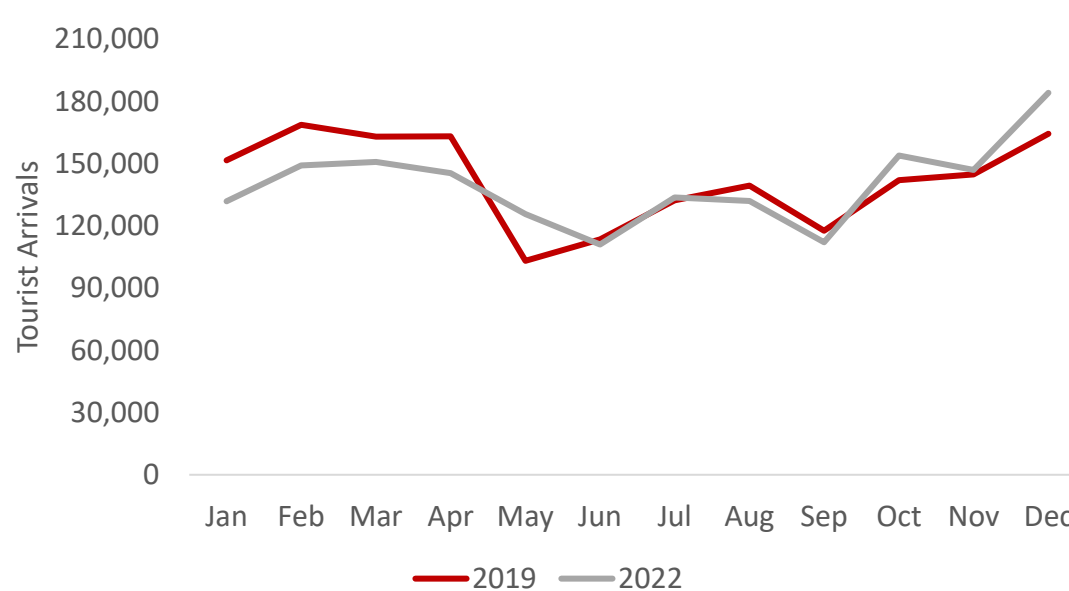
Main Shareholders as at 31.12.2022

Aitken Spence PLC - A/C No. 1	71.21%
Employees Provident Fund	9.37%
Sri Lanka Insurance Corporation Ltd. - Life Fund	1.64%
Ace Cargo (Private) Limited	1.32%
Aitken Spence Hotel Managements (Private) Lim	1.05%

SL Tourist arrivals are showing signs of recovery



Tourists' arrivals are now at pre-pandemic levels in Maldives



Aitken Spence Hotel Holdings (AHUN), is a subsidiary of Aitken Spence PLC, one of Sri Lanka's most diversified conglomerates with widespread business interests in Maritime and Logistics, Strategic Investments and Services, and Tourism. AHUN's portfolio consists of 21 unique properties, both owned (15) and managed (6), where it has a strong presence across Asia. Having one of the largest international resort chains in the Maldives, AHUN owns and operates 2826 rooms across 21 properties with 11 properties in SL (1536 rooms), 5 from Maldives (734 rooms), 4 properties in Oman (416 rooms), and 1 in India (140 rooms). AHUN's topline increased to LKR 30.1Bn in 9M'23, a 106%YoY jump compared to the corresponding period last year mainly due to improved performance in the Maldives (with over 74% occupancy with SL too seen occupancies jumping from 19% to 30%) while the operating profits expanded from LKR 1.1Bn to 2.5Bn for the same period.

We are bullish about AHUN due to strong positive signals shown in both Sri Lanka, South Asian and Middle East segments. Sri Lanka saw a major recovery in tourist arrivals exceeding 335,000+YTD (surpassing 100,000 for three consecutive months after 2019) in the recent past, especially after the relaxation of travel advisories and macroeconomic stability that was seen compared to mid-2022. Hence, we believe AHUN to benefit both in terms of arrivals and occupancy levels in local front with Chinese arrivals too giving an added boost specially with SLA starting daily flights to China. Meanwhile, Maldives have already begun the year on a strong note, with arrivals increasing by 21%YoY by the end of 1Q'23. Maldives arrivals surpassed half a million during 1Q'23 (513,000+ YTD) which were supported by both traditional and new source markets. 16,000+ Chinese arrivals (284,000 Chinese arrivals in 2019) were seen in this quarter where China has emerged in the top ten tourist markets. The Maldives presently accounts for more than half of AHUN's South Asian and Middle East topline, and lucrative arrivals and a weaker currency in Sri Lanka together should put AHUN in a naturally favorable spot.

Hence, we expect both the South Asian, Middle East sectors and Sri Lanka to benefit with the help of strong uptick in arrivals especially Chinese coming as a bonus with reopening of outbound travel market in FY24E. Meanwhile AHUN's finance cost should also further reduce specially with appreciation of LKR, supporting AHUN's debt which is now standing at >60% in foreign loans. We estimate AHUN's losses to narrow down to LKR 687mn (cf 2.5Bn in 9M'22) for FY23 and grow to a profit of LKR 3.1Bn in FY24E specially with the surge in arrivals which would push the occupancy rates and average room rates higher. We have valued AHUN based on two valuation methods, (i) Implied PBV and (ii) replacement value. Therefore, on an implied PBV of 1.0x on FY23E book value, we value the company at LKR 76.00, an upside of 27% to the current market price. However, one should also note that based on asset replacement cost valuation method, we could easily value AHUN over LKR 105.00. Thus, we recommend BUY.

Price Performance

